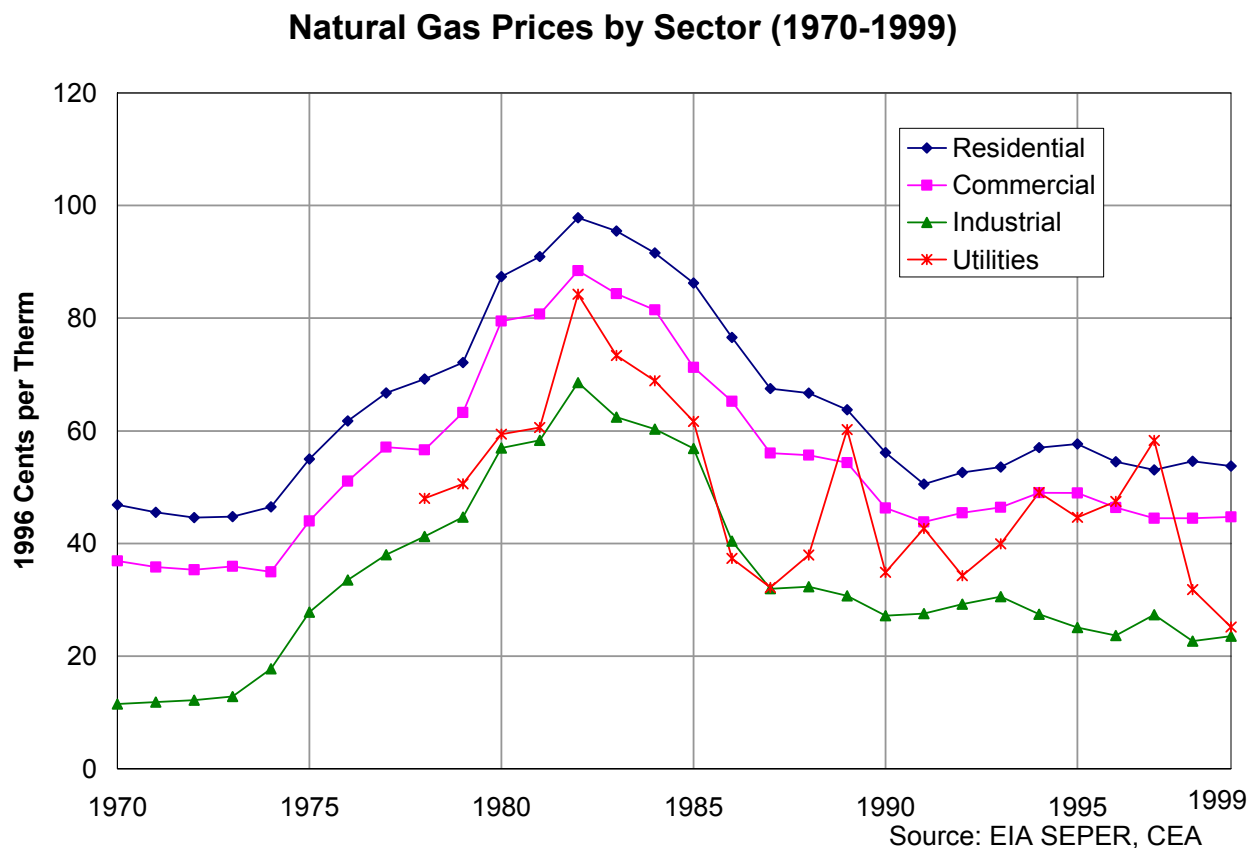


21. Energy Price Trends — Average Natural Gas Prices by Sector



NATURAL GAS PRICES INCREASED RAPIDLY FOR ALL SECTORS BETWEEN 1974 AND 1982 AND DECLINED JUST AS RAPIDLY FROM 1982 TO 1991. INDUSTRIAL SECTOR GAS PRICES HAVE CONTINUED TO DECLINE SINCE THEN, WHILE RESIDENTIAL AND COMMERCIAL RATES HAVE SEEN MODEST INCREASES. PRICES FOR UTILITIES WERE RELATIVELY VOLATILE DURING THIS PERIOD DUE TO MODEST CONSUMPTION.

Real natural gas prices were stable in the early 1970s, increased rapidly between 1974 and 1982, and declined just as rapidly between 1982 and 1991. As with electricity, the price increases during the 1970s were of similar magnitude in all sectors on a per unit basis, but were much larger in percentage terms for the industrial sector.

Price trends have diverged in the 1990s. Residential and commercial customers experienced price increases of 6% and 2%, respectively, between 1991 and 1999. Average industrial sector natural gas prices declined by 14.5% over the same period. Many large industrial customers have begun to make bulk purchases of commodity gas from suppliers other than their local utilities.

Natural gas in the utility sector has historically been used to fire relatively small power plants used for “peaking”, which at least partially explains the volatility experienced in that sector. With a number of gas-fired plants recently constructed or in the planning stages, utility sector consumption of natural gas will soon become more significant.

Beginning in 2000 natural gas prices began to rise due to constrained natural gas capacity and increased demand. More current information on natural gas prices is shown (using preliminary estimates for 2000 and 2001) in Section 4 (#5) of Washington’s Energy Strategy Update and 2003 Biennial Energy Report.

<http://www.energy.cted.wa.gov/Energy%20Strategy/Default.htm>